

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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JOHN W. PARSONS, ESQ., *Executive Director*

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MEMORANDUM

TO: Adams Retirement Board

FROM: John W. Parsons, Esq., Executive Director

RE: Approval of Funding Schedule

DATE: January 8, 2021

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on January 1 of each fiscal year. The schedule is effective in FY21 (since the amount under the prior schedule was maintained in FY21) and is acceptable under Chapter 32.

The revised schedule reflects a reduction in the investment return assumption from 6.85% to 6.75% and an adjustment to the fully generational mortality assumption.

For the past several years, PERAC has been recommending that Boards adopt schedules that complete the amortization of the unfunded actuarial liability (UAL) by FY35. The schedule adopted by the Board completes the amortization of the UAL in FY37 and has total appropriation payments that increase 7.0% each year. Also, under this schedule, the UAL will continue to increase (negative amortization continues) until FY25 which is a few years later than our recommendation to eliminate negative amortization immediately. In short, the System has limited flexibility in the event of a market downturn, future actuarial losses, or changes in assumptions that increase the plan's liability, and it is possible appropriation increases in excess of 7.0% may be required as part of the 2022 or future actuarial valuations.

If you have any questions, please contact PERAC's Actuary, John Boorack, at (617) 666-4446, extension 935.

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Adams Retirement System
January 1, 2020 Actuarial Valuation

Total cost increases 7.0% per year until FY36 with a final amortization payment in FY37

<u>Fiscal</u> <u>Year</u>	<u>Normal</u> <u>Cost</u>	<u>Net</u> <u>3(8)(c)</u>	<u>Amort. of</u> <u>UAL</u>	<u>Total</u> <u>Cost</u>	<u>Unfunded</u> <u>Act. Liab.</u>	<u>Change in</u> <u>Cost</u>
2021	802,516	125,000	908,636	1,836,152	18,171,566	
2022	838,629	125,000	1,001,054	1,964,683	18,458,843	7.00%
2023	876,367	125,000	1,100,843	2,102,210	18,669,976	7.00%
2024	915,804	125,000	1,208,562	2,249,365	18,792,202	7.00%
2025	957,015	125,000	1,324,806	2,406,821	18,811,325	7.00%
2026	1,000,080	125,000	1,450,218	2,575,298	18,711,572	7.00%
2027	1,045,084	125,000	1,585,485	2,755,569	18,475,440	7.00%
2028	1,092,113	125,000	1,731,346	2,948,459	18,083,537	7.00%
2029	1,141,258	125,000	1,888,593	3,154,851	17,514,397	7.00%
2030	1,192,614	125,000	2,058,076	3,375,691	16,744,285	7.00%
2031	1,246,282	125,000	2,240,707	3,611,989	15,746,989	7.00%
2032	1,302,365	125,000	2,437,463	3,864,828	14,493,580	7.00%
2033	1,360,971	125,000	2,649,395	4,135,366	12,952,168	7.00%
2034	1,422,215	125,000	2,877,627	4,424,842	11,087,628	7.00%
2035	1,486,215	125,000	3,123,366	4,734,581	8,861,296	7.00%
2036	1,553,094	125,000	3,387,907	5,066,001	6,230,654	7.00%
2037	1,622,983	125,000	3,251,782	4,999,766	3,148,974	-1.31%
2038	1,696,018	125,000		1,821,018	0	-63.58%

Appropriation payments assumed to be made on January 1 of each fiscal year

Normal cost assumed to increase 4.5% per year

Assumed expenses of \$200,000

FY21 amount maintained at level of current funding schedule